Sign of Quality

# SIERRA TALC & CHEMICAL COMPANY

DIVISION OF CYPRUS MINES CORPORATION

*Executive Offices & Research Laboratory*

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PLAINTIFF'S EXHIBIT
CAM-223

LC & CHEMI

F CYPRUS MIN

Dear Customer,

Because of the condition of the original, this is the best copy that could be made.

NightRider
an Alco Office Products company

## SUMMARY

We continued our long term trend by setting new talc sales and market share records during 1964 in spite of increased competitive activity. Sierra 1964 sales were within 2% of the levels predicted in January 1964. The majority of the rise came again from specialty products, especially Mistron, and increased European sales. Our marketing effort was concentrated in these fields.

Paul W. Wood Company sales exceeded expectations because of addition of ceramic and plastics departments during 1964. Sierra Talc de Mexico again earned an excellent return on investment, and construction of a new processing plant was authorized. We increased our participation in Sierra-Mexico to 30%. Freight costs were again reduced in 1964, a continuation of a long term program, which has resulted in annual savings of more than $400,000. Sales costs increased during 1964 but the ratio of selling expense to sales rose only slightly.

We are forecasting new record sales again for 1965. Sierra sales should rise about 9%, and the addition of Aquafil should add another 14%. We anticipate a big jump of 30% in Wood Company sales. Combined sales are projected at nearly $9,000,000. Rubber, plastics, pulp and paper, and exports will contribute most of the Sierra increase, and our marketing efforts will be directed mainly to the promotion of sales to these industries. The paint industry is a special challenge requiring imaginative and determinedly applied tactics.

Pyropaque (calcined Texas talc) will be test marketed in all of the above industries.

We shall make a strong effort on Aquafil diatomite sales to agricultural chemical as well as paper and paint producers. Freight and warehouse costs will be the object of much attention, both for the Wood Company and Sierra.

We shall carry out a number of marketing personnel changes, field and managerial, in Sierra and Wood Company. Chief of these is the appointment of Paul Juley as Sierra Sales Manager and Ralph LeFever as President of the Wood Company.

We are projecting sales expense increases for both Sierra and Wood Company, but costs per dollar sales and per sales call will decrease.

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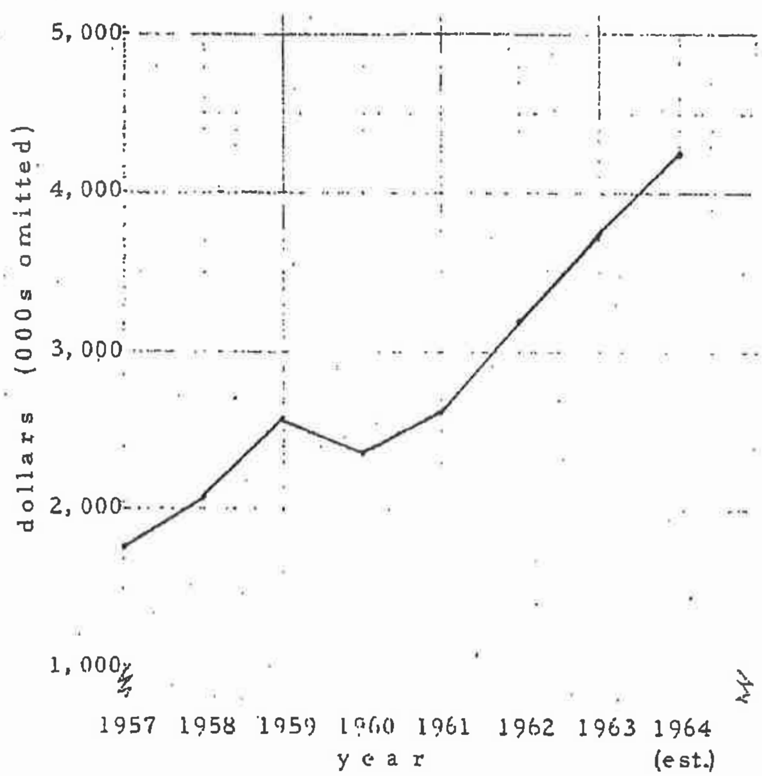
At the beginning of 1964, we forecast our dollar sales would reach about $4,300,000. Actual sales will approximate $4,250,000. This is an increase of about $500,000 , and another record as regards both sales and profits. It is a continuation of the long term trend begun in 1957 and which has accelerated since the end of 1960:

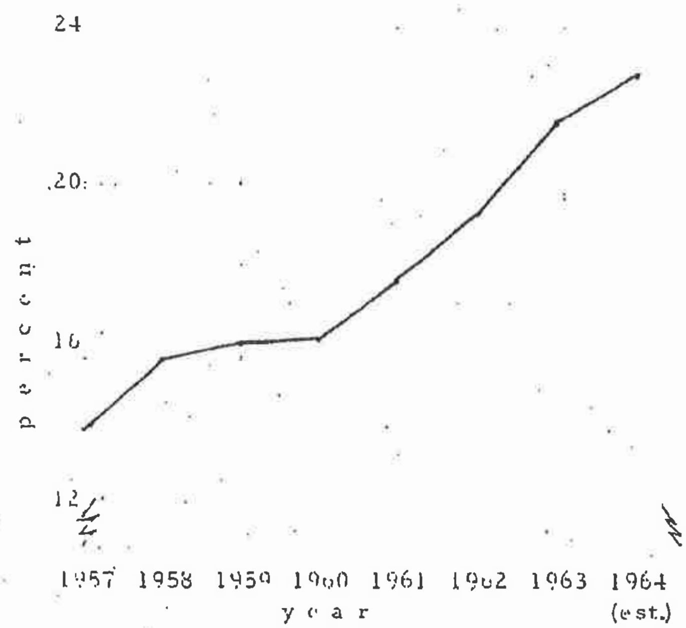
SIERRA SALES



## Talc

Approximately $4,150,000 of total sales were talc. We have again increased our estimated share of the U.S. produced talc market. We calculate our 1964 dollar share to be near 23% versus 21.6% in 1963. This, too, fits our previous pattern:

SIERRA PERCENTAGE SHARE
TALC AND SOAPSTONE SALES




We secured this increased market share despite sharply increased competitive activity. Principal competitive moves during 1964 were:

1. Greatly increased price and quality pressure for paint talc business in California by Charles Pfizer and Desert Minerals.

2. The beginning of production of beneficiated cosmetic talc by Eastern Magnesia at their new Vermont facility.

3. The first important sales of "white" Texas talc to the southwestern and southern paint industry.

4. The acquisition of Carbola Chemical by International Talc and the realization by International of the importance of technical sales of specialty products.

5. The first attack by a U.S. producer (Southern California Minerals) on our European market.

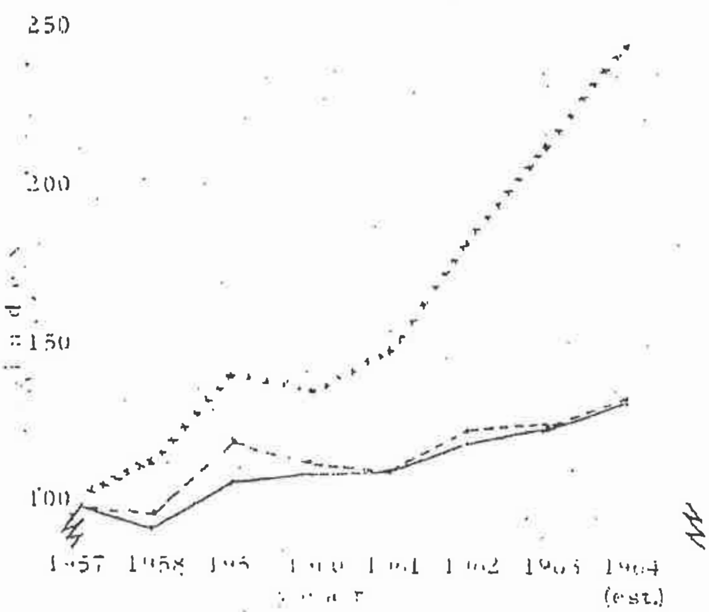
6. The major increase in talc processing capacity upon the completion of Southern California Minerals' new mill at Dunn, California.

7. Acquisition of Western Talc by R. T. Vanderbilt.

Nevertheless, as mentioned above, we have again more than held our own as this graph, comparing our growth with the rest of the talc industry and total industrial production, clearly shows.

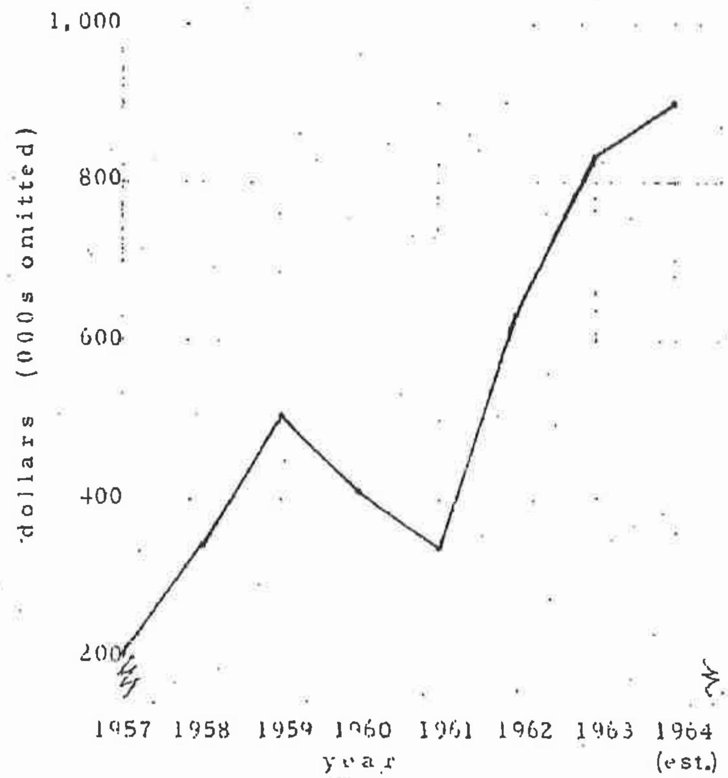
COMPARISON INDICES
SIERRA SALES, OTHER TALC PRODUCERS SALES
AND TOTAL INDUSTRIAL PRODUCTION
(1957 = 100)

xxxxxxxxxx Value Sierra Sales of Talc
---------- Value Talc and Soapstone Sales All Other Producers
―――――― U.S. Industrial Production



We are proud of this record because it demonstrates our ability to build sales in the face of increasing competition in an industry which, aside from our company, is not growing especially rapidly. A look at our profit history reveals that these increases have not been bought at the expense of reduced profits:

NET PROFIT BEFORE TAXES




Important to increasing both profits and sales is the recognition that our business, like most, is divided into a number of sub-businesses. Broadly speaking, our sub-businesses can be grouped into two categories:

The first group consists of those products and industries which have reached relative maturity. That is, those markets which are traditional talc consumers, and the traditional types of talc consumed by them. They are characterized by fierce competition, especially price competition, which results in low margins. They also tend to be limited geographically. Products sold in "mature" markets, are generally looked upon as commodities by buyer and seller alike. Increased sales in such markets usually come at considerable cost, since price cuts or increased cost through improved quality or service are necessary to gain a competitive edge. Typical of this group of sub-businesses are the regularly ground talcs sold to the wall tile, paint, and cosmetic industries, as well as all Olancha clay products.

We have chosen to emphasize the second or growth group. This consists of new products, new applications for old products, and both new and old products in expanded geographic areas. It is characterized by unorganized or non-existent direct competition and consequent high gross margins. Operating in this milieu requires imagination, initiative, technical ability, and courage. Sales increases normally come at the expense of a relatively high investment of marketing time and money and failures are not infrequent.

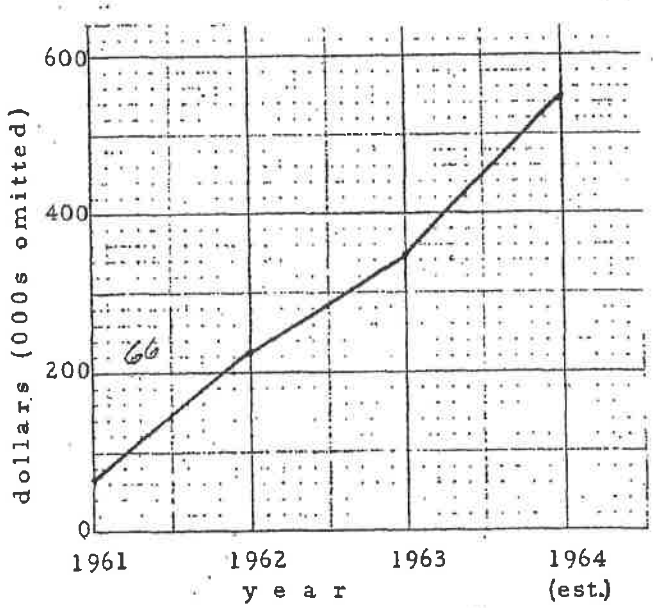
A typical new product is ultra-fine and/or chemically treated, although conventionally processed materials may be promoted for new uses. The outstanding example of a Sierra growth market is Mistron Vapor in pulp and paper and its subsequent expansion to worldwide distribution.

Our marketing effort again emphasized in 1964 the relatively high priced, high margin "Mistron" line of ultra-fine talcs. These are sold mainly in the pulp and paper, paint, rubber and plastics industries and for export.

The Mistrons as a group accounted for approximately $2,800,000, which is slightly more than a $450,000 increase over 1963, and two-thirds of our total sales. Mistron exports to Western Europe again led the way, being about $200,000 higher than 1963's record level.

The following illustrates the progress of our Mistron sales to Europe, since they began in 1961:

MISTRON SALES TO EUROPE




This degree of success of our international effort and the manner in which it was achieved was recognized by the United States government. The President's "E" for Exports was presented to us on September 11, 1964. We are especially proud of this award which reads as follows:

"CITATION Sierra Talc and Chemical Company, Division of Cyprus Mines Corporation, miners and processors of non-metallic minerals, has substantially increased the export of its products by energetically developing new foreign markets. Combining careful study of potential consumer demand with personal selection and training of distributor personnel, followed by vigorous and imaginative merchandising, the company has tripled the volume of its exports since 1960, successfully penetrating markets in three of the world's major talc-producing countries. The contribution of the Sierra Talc and Chemical Company to our nation's export expansion program reflects credit upon the firm, its employees and the free enterprise system.

In the name and by the authority of the President 1964

Luther H. Hodges, Secretary of Commerce."

Sales of two Montana origin Mistrons, Monomix and ZSC, first introduced late in 1963 to the paint industry, showed excellent growth in domestic markets. Dollar sales increased some $50,000 (1000%) over 1963. These are very high margin materials with excellent potential for greater volume.

One very significant development involved Mistron Frost, which is made from Warm Springs California raw material. This was its large scale use to improve printing properties of special newsprint production in Finland. These increases almost exactly offset reduced consumption by the North American paper industry.

Mistron Vapor (Montana) sales to the rubber and plastics industries continued a strong upward trend, jumping about $40,000 (23%) over 1963 as the first impact of our efforts in ethylene propylene rubbers was felt.

North American sales of Mistron Vapor to the pulp and paper industry increased $120,000 (about 11%), as increases in the Pacific Northwest and Chicago sales areas more than offset Eastern Canadian losses.

Analysis of our sales call reports shows the following distribution of selling effort during 1964:

| Industry | % of Sales Calls |
|---|---|
| Pulp and Paper | 26.9 |
| Rubber | 21.2 |
| Paint | 29.6 |
| Ceramic and Steatite | 3.7 |
| Cosmetic and Pharmaceutical | 3.5 |
| Plastic | 9.0 |
| Miscellaneous | 6.1 |
| | 100.0 |

Technical literature published during 1964 was entirely directed to the Mistron consuming industries:

| Report | Title |
|---|---|
| Technical Report 56-T | Water-Based, High Gloss and Semi-Gloss Enamels: Pigmentation With Mistron Monomix (Paint) |
| Technical Report 57-T | Mistron Frost Pigmentation of Starch Paper Coatings (Pulp and Paper) |
| Rubber Report #50 | Mistron Vapor Re-Inforcement of Enjay 3509 Ethylene Propylene Terpolymer (Rubber) |
| Sales Service Manual 2-S | Sierra Talcs for the Protective Coatings Industry (Paint) |
| | Talcos Sierra En La Industria De Pinturas (Export Paint) |
| Sales Service Manual 3-S | Sierra Mistron Vapor in Rubber Compounds (Rubber) |

Based on the successful paint seminars held during the latter part of 1963, Sales Service Manual 2-S, "Sierra Talcs For the Protective Coatings Industry: and the Spanish version, "Talcos Sierra En La Industria De Pinturas" were written and published. This manual was used in 1964 as the format for paint seminars attended by chemists from the most important paint companies in the areas of Toronto, Canada: Guadalajara and Mexico City, Mexico; St. Louis, Kansas City, Tampa, Houston, Louisville, San Francisco, and Buffalo.

Papers on "Pitch Control with Mistron Vapor" were presented at the Gulf Coast Section of Technical Association of the Pulp and Paper Industry and the Third International Technical Association of the Pulp and Paper Industry Pulp Bleaching Conference in Seattle. The paper given at the former meeting was published in the November 12, 1964, issue of the Southern Pulp and Paper Manufacturer.

An article "Cosmetic Talcs" was submitted and published in the October 1964 issue of the American Perfumer and Cosmetics.

Information regarding use of our products published by other manufacturers is always excellent advertising. During 1964 co-manufacturers wrote about our products in their bulletins:

"Mistron Vapor", Anchor Chemical Co., Ltd., Manchester, England, Anchor Bulletin 171/R/64 (Rubber);

"Fabric Finishes with Butyl Elastomeric Hydrocarbon Vehicles", Rubber Research Elastomerics, Inc., Bulletin DV-1-64 (Rubber);

"Petro-Tex Non-Black Butyl Rubber Sheeting", Petro-Tex Chemical Co., Bulletin No. B10-9-64 (Rubber);

"Natsyn 2200 Non-Black Pigmentation Study", Goodyear Chemical Division Bulletin NS 9 (Rubber);

"Improved Physical and Electrical Strength of Mineral Filled Covulcanizates of EPR and Polyethylene", W.F. Fisher, Enjay Laboratories, Linden, N.J. (Rubber);

"Pliolite VTL in Traffic Paints", Goodyear Chemical Division Bulletin PLS-24 (Paint);

"Evaluation of High Hiding Pigments", National Starch Resin Division, Raw Material Evaluation Report No. 3 (Paint);

"No. 619 Study Bulletin about Mistrons as Fillers", Laboratoire D'Analyses & D'Essais de la Papeterie, Grenoble, France (Paper);

"Water Resistant, Oil-Based, Intumescing Fire-Retardant Coatings. I. Developmental Formulations", Southern Regional Research Laboratory, U.S.D.A., and U.S. Army Engineer Research and Development Laboratories, Journal of the American Oil Chemists' Society, Vol. 41 (Paint).

The most important "first" for the technical service department was the initiation of the sales engineers' two week projects in the South Pasadena laboratory. So far two sales engineers have been through the program, and all associated with it are most enthusiastic about its benefits.

Three of our sales engineers completed in 1964 courses in rubber technology which should help them in their sales as well as technical service efforts.

The results of these efforts should be increased sales, and this is indeed the case:

SIERRA SALES OF TALC BY INDUSTRY
(000s omitted)

| | 1957 | 1963 | 1964 |
|---|---|---|---|
| Pulp and Paper | 100 | 900 | 1,050 |
| Rubber and Plastic | 50 | 220 | 330 |
| Paint | 500 | 720 | 820 |
| Export | 140 | 900 | 1,130 |
| Ceramic and Steatite | 550 | 470 | 510 |
| Cosmetic & Pharmaceutical | 150 | 180 | 210 |
| Agricultural Chemical | 100 | 100 | 30 |
| Misc. and Unclassified | 120 | 140 | 70 |
| Total | $1,710 | $3,630 | $4,150 |

Although the great share of our attention is given to the Mistrons, we did not neglect our more conventional materials in 1964.

Steps taken during 1964 to improve or defend our position in the mature markets were:

1. Continuation of heavy promotion of Texas talcs to the domestic and Mexican ceramic industry. The result was an increase of $30,000 (67%) over 1963.

2. We initiated price increase on Fibrene paint talcs of about 10% in May with no signs of a loss in volume. The impact was approximately $10,000 greater pre-tax profits.

3. Efforts to move Glacier (Montana waste) and Silverbow (1/2 Warm Springs - 1/2 Montana waste) to a variety of end users met with considerable success, resulting in increased sales of about $25,000 (125%) of these relatively low cost materials.

In summary, 1964 talc sales results further extended our recent sharp upward trend and total sales were within 2% of the goal established in December 1963. Marketing's primary objective of raising profits by emphasizing high margin specialty products, was instrumental in achieving the goal.

All marketing functions contributed to the implementation of this policy. Our direct sales force emphasized the Mistrons in their presentations to customers, and calling patterns were heavily weighted to the Mistron consuming industries. Technical service personnel largely devoted their attention to the Mistrons in the preparation and dissemination of technical information.

Although all talcs are incidental beneficiaries, traffic department rate and packaging studies were generally designed primarily to ease and reduce the cost of new product transportation.

Marketing's foreign distributor technical assistance program stressed Mistrons almost exclusively.

## Clay

Our Olancha adsorbent clay volume continued to drift downward. This is only the latest in a series of dreary years, which began in the late 1950's. Sales totaled $75,000 vs. $110,000 in 1963.

Bluntly put, we are a high cost producer of a low priced commodity operating on a slender resource base in shrinking markets. We have therefore been unable to justify the cost of a large scale effort aimed at increasing our share of the market. We expect to improve sales and profit volume during 1965 with modest capital and marketing investment. These plans are discussed in the 1965 section.

## Chemicals

Boston chemical sales, consisting mainly of alkalies produced by International Mineral and Chemicals, reached $22,000 vs. $20,000 in 1963. This is strictly an accommodation to supplier and buyer. Our Boston sales engineer is under strict instructions to make an absolutely minimum expenditure of time in this field. Therefore chemical sales costs equalled less than 1% of chemical sales in 1964.

Paul W. Wood Company

Marketing provides general guidance and staff assistance to the Paul W. Wood Company, a wholly owned subsidiary acquired in November 1963.

The Wood Co. has engaged in the wholesaling of industrial raw materials and chemicals since 1930. Its main outlets are California and Arizona paint, plastics, and ceramics producers. It has acted as Sierra's talc distributor to the California paint industry for many years. Sales offices are located in Los Angeles and San Francisco, and warehouse stocks in Los Angeles, San Francisco, and Alameda.

We viewed the acquisition of the Wood Co. as an opportunity to enter a potentially profitable field while extending our control of sales of our products. Since we bought only certain of the assets, profit records of the company are not available. However, it is evident that, while it was once highly profitable, it was losing money when we took over.

Our purchase consisted of sound inventories and receivables at cost or face value plus goodwill at $1.00. A group of top flight exclusive representations comprised the goodwill. As acquired, the business was essentially oriented toward the paint industry, a highly specialized selling situation.

Our initial analysis of sales potential of this group of representations proved remarkably accurate for 1964:

| Product | Producer | Pre-Acquisition Estimate (Aug. 1963) | Sales (approx.) 1964 (annual rate basis 11 months) |
|---|---|---|---|
| Aluminum Pigments | Aluminum Corporation of America | $700,000 | $675,000 |
| Asbestos | Canadian Johns-Manville | 335,000 | 340,000 |
| Talc | Sierra Talc | 350,000-400,000 | 400,000 |
| Hydrocarbon Resins | Neville Chemical | 290,000 | 350,000 |
| Resin Intermediates | Trojan Powder | 325,000 | 325,000 |
| Mica | English Mica Co. | 80,000 | 85,000 |
| SBR Latex | General Tire & Rubber | 200,000 | 100,000 |
| Polyvinyl Acetate | E. I. du Pont de Nemours | 165,000 | 45,000 |
| Solvents | Tidewater Oil | 20,000 | 5,000 |
| Oils & Resins | Cargill Inc. | 30,000 | 275,000 |
| Silicone Resins | General Electric | 160,000 | * |
| | | ** | $2,600,000 |

*Representation lost prior to acquisition

**The projection was actually $2,630,000-$2,700,000

The sharp increase in Cargill sales results from a disproportionate amount of selling time and promotional effort devoted to this relatively new account. The reduction in the du Pont account stems from an unwillingness on the part of the principal to compete in a furious price battle. There is no indication of change in this situation. General Tire business is suffering from a rapid shift from rubber latex to plastic latices in emulsion paints. All other projections were very much on target.

The Wood Co. enjoys a dominant position in its main paint lines, controlling at least 50% of the present market in its "bread and butter" aluminum, asbestos and talc items. Only abrupt market shifts or new product introductions could radically alter the sales picture for the present paint line.

We have therefore established profitable expansion of product lines and markets served as the primary Wood Co. goal. Although objectives and goals were only formalized late in November (see Appendix A), the impact of this philosophy was apparent throughout 1964:

1. In January 1964 we secured the representation for specialty chemicals produced by Sinclair Petrochemicals. This is a development account whose contribution must still be described in the future tense.

2. In June we added a ceramic department which has contributed greatly to both our sales and profits. Six months' sales will approximate $350,000 with a gross profit of about $50,000. A list of accounts represented by this department appears in Appendix B.

3. In October we entered the reinforced plastics field, a genuine growth area, with a full line of materials (See Appendix C). This department's sales are still in infancy but should have a considerable impact in 1965.

The year 1964 was a learning year for both Sierra and Wood marketing people, and many costs of doing business were higher than they should have been. Consequently, our credit and traffic personnel initiated a series of steps designed to reduce costs by means of stronger credit checks and controls, and reduced warehousing and freight costs.

Sierra Talc de Mexico, S. A.

The division marketing Vice President serves as chairman and a director of our Mexican affiliate, Sierra Talc de Mexico, S.A. of Mexico City.

This company was established in association with Mexican capital in 1961 for the purpose of processing and selling Sierra talcs in Mexico.

Our interest of 10% represented only an investment of trademarks and technical assistance.

The growth of the company has been very rapid, and retained earnings more than tripled the original capital base of US$16,000 in three years. We should also mention that Sierra-U.S.A. also has earned excellent profits on crude talc shipments made to Sierra-Mexico.

During 1964, Sierra-Mexico authorized an increase in capitalization to US$160,000 for the purpose of constructing a modern minerals processing plant. Land has been purchased and equipment and building contracted for. We have increased our stock participation to a total of 30%, of which about $35,000 will be cash and $13,000 is represented by intangibles. We are also extending $8,000 in long term credits at interest.

Sierra-Mexico also represents Sierra-U.S.A. for sales of crude Texas ceramic talc in Mexico. Mexico accounts for about 2/3 of the tonnage shipped from our Texas properties.

## Traffic

Between 1955 and 1962, rates, adjustments, routing, etc. were handled by H. T. Mulryan. The order department was directly under his supervision from 1957 through 1962.

As a consequence, traffic and order functions continue a marketing responsibility under the direction of the ass't. traffic manager.

We have been exceptionally sensitive to freight costs, since they represent such a large portion of the cost of placing our materials in customers' hands. Although only a small portion appears in our sales totals, we disbursed more than $750,000 in cash freight charges during 1964. Our customers paid about twice that figure on "collect" shipments for a total of more than $2,000,000.

Since 1957, we have succeeded in driving down the average level of rail freight on our products 10%, while the level for all products has increased 14%. We and our customers benefit every year by more than $400,000 cold cash savings.

Order department workloa l has increased enormously in the same period. The number of carload orders has more than doubled in seven years:

| 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964(est.) |
|---|---|---|---|---|---|---|---|
| 1242 | 1384 | 1603 | 1582 | 1660 | 2052 | 2257 | 2775 |

Following are the accomplishments of the traffic department during 1964:

1. In cooperation with our overseas distributors, we were successful in holding an increase in ocean freight from Milwaukee to Europe down to $1.80 per ton, instead of the $8.00 increase originally demanded by the carriers.

2. Sought and established a reduced freight rate from Three Forks, Montana to Toledo, Oregon to aid in marketing Mistron Vapor to Georgia Pacific Corp. there.

3. Sought and established routes from West Texas to east of the Missouri River via Grand Island, Nebraska in anticipation of Pyropaque operation.

4. Forced reduction of rail rates from Montana to Pacific Northwest by introduction of truck competition. Savings to our customers amount to $1.90 per ton.

5. Successfully defeated an attempt by eastern producers and railroads to require the talc in tailings not exceed a certain chemical formula. Approval of above would have restricted marketing of Glacier 325 by raising rail rates 20%.

6. We succeeded in reducing ocean rates from Houston to Europe $1.80 per ton by diverting most tonnage to Baltimore, which for a time enjoyed a large ocean rate advantage. Our c&f prices in 1964-65 winter season are $1.00 per short ton lower than 1963-64 prices, due to this reduction.

7. We supported a proposal which reduced our rate on crudes from Dunn to Los Angeles by $.20 per ton.

8. Publication of a "reduced" rate from Three Forks to Houston

in the export section of rail tariff, resulting in a $1.60 per ton increase. We were successful in having this corrected.

Total savings to our customers and ourselves due to reductions secured in 1964 will be $16,000 annually, based on 1964 tonnage. In addition to this figure the traffic department filed claims with carriers, with reimbursements of nearly $8,000.

Marketing Costs

Sierra Talc did not operate on a formal budget prior to our acquisition by Cyprus Mines. Therefore no official marketing cost projections were made for 1964.

At the beginning of 1963, we separated home office marketing costs from general and administrative expenses, and combined them with field selling expenses to report "selling expense". "Selling expense" is the total cost of maintaining and expanding our customer relationships. As such, it includes not only sales and sales support salaries and expenses but also such diverse items as branch warehousing, publication of technical manuals, and export forwarding and documentation fees. This category does not include any significant freight charges even though the traffic department is a marketing responsibility. We consider freight costs as a product cost. Neither does it include sales discounts to U.S. distributors, since these are taken in the form of reduced invoice value.

The following compares 1963 with anticipated 1964 totals:

| | 1963 | 1964 (est.) |
|---|---|---|
| | (000s omitted) | |
| Selling Expense | 308 | 367 |
| Net Sales | 3759 | 4250 |
| Sales/Expense | 8.2% | 8.6% |

Since the Paul W. Wood Company is essentially a sales organization, a very large part of its operating expenses are considered as marketing costs. These totaled $192,000 in 1964, about 6.6% of Wood Co. sales.

We believe that any dispassionate observer will agree with us that marketing fulfilled its function of building profitable customer relationships during 1964.

Quantitative results versus forecasts clearly demonstrate this point.

All marketing activities contributed to reaching these goals by operating within a philosophy which stressed profits from growth and change. This attitude has been operative in this company for a number of years but was first formalized by this department as an objective in December 1963.

Therefore, although we regard 1964 as a success, we face even greater challenges and opportunities in 1965. The next section pinpoints these.

1965

Our goal for 1965 is a new sales record for Sierra products and the Paul W. Wood Company, plus at least meeting CMC expectations regarding our Aquafil acquisition.

Specifically, we estimate our 1965 sales as follows:

| | | |
|---|---|---|
| Sierra talc | $4,500,000 | |
| Other Sierra products | 120,000 | |
| Sub Total | 4,620,000 | |
| Paul Wood Company | 3,760,000 | (includes talc sales) |
| Aquafil | 600,000 | |
| Grand Total | $8,980,000 | |

This table shows from what industries we expect our additional talc volume to develop:

| Industry | Dollar Sales 1964 | Dollar Sales 1965 |
|---|---|---|
| | (000s omitted) | |
| Exports | 1,130 | 1,210 |
| Pulp and Paper | 1,050 | 1,150 |
| Paint | 820* | 850 |
| Ceramic | 510 | 460 |
| Rubber | 330* | 290 |
| Cosmetic | 210 | 190 |
| Plastic | * | 180 |
| Agricultural Chemicals | 30 | 50 |
| Misc. and unclassified | 70 | 120 |
| Total talc sales | 4,150 | 4,500 |
| Olancha Clay | 75 | 100 |
| Chemicals | 25 | 20 |
| Total | 4,250 | 4,620 |

* Plastics included in rubber and paint through 1964

Detail of the 1965 talc sales forecast by area and industry appears in Appendix D.

Paul W. Wood Company sales detail by major principal appears in Appendix E.

The following outlines our forecast of total sales by month:

| | Dollar Sales (000s omitted) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Month | Sierra | | Aquafil* | | Wood** | | Total | |
| January | 380 | | 45 | | 255 | | 680 | |
| February | 330 | | 44 | | 205 | | 579 | |
| March | 404 | | 55 | | 315 | | 774 | |
| 1st Quarter | | 1114 | | 144 | | 775 | | 2033 |
| April | 416 | | 54 | | 350 | | 820 | |
| May | 385 | | 45 | | 355 | | 785 | |
| June | 398 | | 31 | | 335 | | 764 | |
| 2nd Quarter | | 1199 | | 130 | | 1040 | | 2369 |
| July | 373 | | 37 | | 365 | | 775 | |
| August | 407 | | 44 | | 375 | | 826 | |
| September | 363 | | 55 | | 355 | | 773 | |
| 3rd Quarter | | 1143 | | 136 | | 1095 | | 2374 |
| October | 413 | | 60 | | 320 | | 793 | |
| November | 380 | | 64 | | 295 | | 739 | |
| December | 371 | | 66 | | 235 | | 672 | |
| 4th Quarter | | 1164 | | 190 | | 850 | | 2204 |
| | 4,620 | | 600 | | 3,760 | | 8,980 | |

*Seasonal adjustments made on limited data. Therefore quarter is least significant period.

**Includes billings by principals. Seasonal variations estimates only. No prior data to form basis. Semester is probable least significant period.

These estimates assume during 1965:

1. No major change in the Federal Reserve Board's index of industrial production;
2. No lengthy nationwide transportation strike;
3. No major acquisitions other than Aquafil are merged into Sierra;
4. No important product lines are lost or gained by Paul W. Wood Company;
5. No European producer enters the Mistron Vapor market;
6. The present relationship of processing capacity to demand is not significantly changed;
7. That a proposed price increase on ceramic sales holds.

Rubber and Plastics

Combining these figures shows that we expect 1965 sales to these related industries to accelerate dramatically. We have put an enormous sales and technical effort into these growth fields in the past few years, and the rewards are now growing in response.

Plastics information now justifies separate classification as our efforts are more strongly directed to this fast growing industry.

The following actions will help us to increase the upward trend even more rapidly:

1. The new sales trainees (See Organization) in Cleveland and Los Angeles will devote a large share, probably 50%, of calling time to these industries.
2. Sales Service Manual 3-S, which summarizes all of Sierra's and other raw materials suppliers' information on Mistron Vapor as a rubber reinforcing agent, will be placed in the hands of some 3,000 rubber compounders during 1965.
3. The following new technical reports for the plastics industry will be published and distributed during 1965:

| Subject | Publication Anticipated |
|---|---|
| Sierra Talcs Effects in Polyvinyl Chloride | January |
| Sierra Talcs in Polyvinyl Chloride Flooring | March |
| Pyropaque Pigment in Thermoplastics | 4th Quarter |

4. Test marketing of Pyropaque pigment will include thorough coverage of both industries beginning second quarter.

5. A new regular grind of Silver Lake talc, "Silverfil", will be promoted in the Western vinyl flooring industry beginning first quarter.

6. Wood Company's new reinforced plastics department will increase number of sales calls to 1500-1600 in California during 1965.

Our people will attend the following technical and industrial meetings in these fields:

Conference of Society of Plastics Engineers
Boston - February - M. F. Warner and C. E. Sprague

American Chemical Society Division of Rubber Chemistry
Miami - May - M. F. Warner and M. D. Held

Mistron marketing problems in these industries mainly involve handling and mixing difficulties due to the Mistron's bulkiness and dustiness. A pelletized product would greatly assist in alleviating this situation if one can be economically produced.

Both Mistron and regular grind talcs encounter price resistance based on adverse comparison with clays and calcium carbonates. Our program of proving and selling technical advantages over these competitive materials is designed to overcome these objections.

## Exports

The second largest area of increase is exports. We are estimating a continuing rapid rise in European sales, which should increase some $125,000 to constitute about 58% of the projected 1965 export sales. Canadian sales will apparently drop about $50,000. In both instances the changes are primarily due to gains or losses of pulp and paper customers. We propose the following concrete steps to improve international sales during 1965.

1. We regard specialty and lightweight newsprint filling as an area of singular opportunity for us during 1965 and beyond. We therefore are cooperating with research in arranging a full scale evaluation of a number of our Mistrons, Aquafil, ultra-fine

Aquafil, and Pyropaque as newsprint fillers. This work will be carried out by the Central Laboratories of the Swedish pulp and paper industry beginning upon approval of the research budget. Marketing expects to publish and circulate the results of this work internationally in the third quarter.

2. Increased sales to Japan during 1964 were most encouraging and further technical service efforts in that area will be made during the second quarter.

3. The high level of technical sales competence now reached by our European distributor people will result in a lessening of such calls by U. S. A. personnel. We cannot afford to neglect this market, however, and we expect to provide technical sales assistance during the second quarter and the third quarter. These efforts are planned to stress Aquafil entry into this market.

4. All foreign distributors will be provided with cost and freight prices and product data sheets for Aquafil during January.

5. We shall intensify our program of help for our Canadian distributors by scheduling a total of 84 working days in Canada from Boston, Newark, Cleveland, Chicago, and South Pasadena as opposed to 58 during 1964. We thereby hope to more than overcome recent reverses in Eastern Canada. (See Appendix F for schedule).

6. The new processing plant of Sierra Talc de Mexico should come on stream during 1965. We do not expect its impact will be felt during the year on Sierra-U. S. A. talc sales. Sierra-Mexico net profits in 1965 should be about 15% ahead of 1964 or about US$12,000 on sales of close to US$175,000. No cash will be available from this source during the year, since all profits are being retained for expansion.

   Marketing will continue the highly successful technical service assistance to Sierra-Mexico's Monterrey office from Houston. Ceramic tile producers in Monterrey are expected to increase their use of Texas talc by 15% in 1965.

   Research, production, and marketing are cooperating on a pilot test at our Los Angeles mill designed to develop a high quality rubber compounding clay from Mexican raw material. Trials should be completed during the first quarter.

7. The Caribbean area assumes increased importance with the acquisition of Aquafil, since important tonnages move to Aruba and Costa Rica. We have therefore scheduled a technical sales trip during March, which will combine visits with our present Colombian and Venezuelan customers with Aquafil promotion. The Houston manager will accompany the marketing vice president in order to broaden Mr. Juley's experience in Latin American marketing problems.

Our International marketing problems fall into two categories:

Those associated with Latin America revolve around economic nationalism and foreign exchange problems. We have reached a solution in Mexico, but Colombia is in serious foreign exchange difficulties, which have held down our sales and about which we can do little. Sierra-Mexico does use its Latin American Free Trade Association location to supply part of Colombia's cosmetic talc needs.

Much more important are our European problems which are centered on delivered prices which are influenced heavily by freight costs. Inland and ocean freights, port charges, etc. normally constitute 35% to 40% of the cost and freight Europe port figure for Mistron Vapor. Our traffic department is constantly involved in negotiations designed to reduce or hold down these costs. This endeavor assumes even greater importance during 1965, since we must find means of recovering all or a portion of discounts being granted our Swedish distributors to combat Southern California Minerals' price competition.

The Lake Superior port of Duluth should be our lowest cost exit for Europe during the ice free season. Service, however, has been very sporadic. Traffic has set as a goal for completion during the first quarter the negotiation of rates and service from Duluth to Sweden, which will result in recovery of all of the discount.

This solution only applies to half of the year, since we must use other ports during the cold season. In any event, it cannot be regarded as permanent, since Great Lakes' rates are re-negotiated every year.

The bulky nature of our Mistrons makes them relatively undesirable cargo for ocean carriers at what we consider to be reasonable rates per unit of weight. As a consequence, we are constantly faced with the possibility of ocean freight increases upsetting our European price structure.

In line with our strategy of turning adversity into opportunity, marketing management is cooperating with CMC staff personnel in an investigation of establishment of European production facilities. These programs cover both acqusition and construction possibilities. A European plant, based on U.S. crude talc would simultaneously provide increased sales opportunities and unit profits by taking advantage of greatly reduced freight costs. A plant construction proposal will be ready for presentation by March 31, 1965.

Pulp and Paper

We believe that we are beginning to leave the sharp growth phase that has characterized our U.S. pulp and paper pitch control sales. This does not mean that we expect growth to cease, only that its rate of growth will be slower. Long term changes in industry practices, such as the tendency to pulp more fresh wood and to reduce stream pollution indicate an increasing need for pitch control agents. We have the best there is.

We are now planning to begin a new growth cycle in this industry with new products which meet the current demand for better printing and more opaque, yet lighter weight, paper. The newsprint filling evaluation mentioned under "Export" will, of course, also be circulated in the U.S.A.

In addition, our laboratory has scheduled the following technical reports during the year:

| Subject | Publication Anticipated |
|---|---|
| Mistron Superfrost in Paper Coatings | February |
| Pyropaque in Paper Coatings | May |

A synthesis of these papers will be given before the Paper Coatings Conferences of the Technical Association of the Pulp & Paper Industry in May by R. S. Lamar or M. F. Warner.

The acquisition of Aquafil diatomite places an added burden on our marketing staff, as our list of prime paper industry prospects is lengthened to include paper board producers. Each of our sales engineers has already surveyed actual and potential users in his area and has pinpointed opportunities for Aquafil paper industry sales increases. Sales calling patterns will be designed to cover systematically all of these prospects. Again, the proposed Los Angeles sales trainee is important to proper coverage.

Besides the coatings conference, marketing personnel will attend the following conventions and technical meetings:

Canadian Pulp & Paper Association, Montreal, Canada
January - M. F. Warner and L. D. Murino

National Meeting Technical Association for Pulp & Paper Industry
New York City - February - M. F. Warner and L. D. Murino

As with exports, Mistron marketing problems in the pulp and paper industry center on transportation and handling characteristics, as well as the delivered price relationship to pulp prices.

Traffic has scheduled freight rate reduction applications from Montana to eastern points. Wisconsin paper mills would be the chief beneficiaries. We hope for a favorable conclusion by the end of the first quarter. If granted, this reduction will save our customers over $25,000 annually.

We also shall request a rail rate reduction during January 1965 from Montana to the pulp and paper mill sites near Aberdeen, Washington. The justification will be an equalization with Seattle and Portland rates.

We shall attempt to establish before the end of 1965, through rail freight rates from Montana to Eastern Canada pulp and paper mills. Combined U.S. and Canadian freight rates across border points now provide the lowest through cost. Combinations are usually more expensive than single through rates from origin to destination because one of the basic principles of rate making is that rates per mile for long distances are lower than for short distances. Therefore a combination of two mileage rates does not take advantage of the total distance. We plan to use this principle as the chief justification for our request.

As in the rubber and plastics industries, Mistron Vapor presents the consumer with handling problems. Production has done an excellent job in reducing the bulkiness of this material, but it is still very fluffy and tends to "fly" when bags are opened. Customers go to considerable expense and effort to avoid this nuisance by buying our white repulpable bag or setting up elaborate slurrying systems. Some go to the extreme of not buying Mistron at all, and an easy handling compacted or pelletized Mistron would undoubtedly help our marketing effort.

Ceramics

We are projecting a slight decrease in Sierra ceramic sales during 1965, mainly as a result of the anticipated loss of Interpace wall tile business. This occurs because our Los Angeles plant is physically unsuited to the installation of bulk loading facilities needed to meet Interpace's requirements.

Sales of Texas talcs to U. S. and Mexican wall tile plants should show a modest increase.

We are counting on a price increase of about 10% to return the California wall tile talcs to a profitable basis. We shall announce an increase during June or July.

Paul Wood Company's ceramic department will contribute a large share of that subsidiary's projected increase. The year 1965 will be the first full year of operation for this department.

Marketing will publish a Sales Service Manual for the Ceramics industry during April. This broad study of the uses of our talcs in a wide variety of ceramic uses will present this traditional talc using group with a fresh perspective of our company and its products.

Marketing personnel will attend one major industry meeting during the year:

American Ceramic Society - Philadelphia - May - Paul Juley

The marketing problems associated with this industry relate to the fact that this is one of our mature markets. Except for electrical ceramics steatite talcs, all of our ceramic products are of the low margin, commodity, type. Furthermore, the ceramic wall tile and pottery industry itself is suffering heavily from import competition and antiquated production facilities. For these reasons, we offer our modest 1965 objective of holding our dollar sales reduction to a minimum while raising unit profitability.

Paint

We expect continued rising sales of our highest (Mistrons Monomix and ZSC) and lowest (Glacier and Silverbow) priced talcs during 1965. These will provide a net increase despite even heavier competitive pressure during the year. The Fibrene price increase will be effective throughout 1965, and this alone will contribute an additional $10,000 to our margin.

The paint industry is an interesting study in contrasting talc marketing problems. For talc, it is at once a mature market consuming commodities, and a growth market buying specialties. Furthermore, it is a transitional market in which items which were recently specialties are coming to be regarded as commodities.

We must therefore employ tactics which take these different situations into account.

The principal problem which we must solve in 1965 is the plain fact that we have lost our quality leadership in the conventional and near-conventional grinds of talc. Competitors, both east and west, have upgraded their 325 mesh products by improving fineness. Owing to short profit margins, we have been reluctant to do this. More ominous, is the growing tendency by our competitors to upgrade into the subsieve size ranges at relatively low prices. We refer specifically to such products as Hi Fine 80 from California and Nytal 300 from New York, which disperse without milling to Hegman finenesses of 4 to 5 at FOB prices of $38.00 to $41.00 per ton. Our comparable product, Mistron 139, sells for $47.00 per ton.

Price competition is severe even on the ultra-fine materials, something that would have been unthinkable only two or three years ago.

We propose that these pressures can best be met by:

1. An upgrading of Fibrene C-400 to a Hegman Fineness 3-1/2 to 4 at all mills where it is produced.

2. The installation of equipment at Grand Island and Los Angeles which would enable us to make Hegman 4 to 5 products to sell for about $40 to $42 per ton at a profit.

3. We shall vigorously pursue our successful fighting fire with fire by emphasizing low priced (but good margin) Glaciers and Silverbow.

Of course, we have no intention of abandoning our success formula of emphasis of the high priced specialties.

We believe Pyropaque will be an outstanding paint pigment, especially in water based systems. We plan to base a thorough test marketing program on a technical report to be published in July on Pyropaque in paints.

Aquafil diatomite should find paint applications, although some customers may object to color as compared to flux calcined competitive products. We shall publish a bulletin on the gloss reducing efficiency of Aquafil during the first quarter and shall complete distribution to all major paint prospects by the end of the third quarter.

We shall participate with our distributors in booth and entertainment costs at the February meeting of the Southwestern Societies for Paint Technology in Houston. Paul Juley will represent us.

Marketing management, H. T. Mulryan and M. F. Warner, will attend the October national meeting of the society.

Paint department sales of the Paul Wood Company should rise materially with the greatest increase coming in the Cargill line of oils and resins.

Organizational changes (see "Organization") will provide considerably better sales coverage than in 1964.

Cosmetics

We expect a slight decrease in talc sales to cosmetic and pharmaceutical manufacturers during 1965. This will stem principally from loss of some U. S. P. talc accounts, which we were unable to service properly during parts of 1964 because of raw material shortages. We also anticipate increasing price pressure from Eastern Magnesia's new plant in Vermont. The Three Forks pilot washing operation should produce a U. S. P. talc from Beaverhead crude. We shall test market this product during the third quarter.

Agricultural Chemicals

This category covers producers of both pesticides and high analysis fertilizer.

Sierra's talc business in pesticides should continue about level, and we should increase our sales to fertilizer manufacturers by about $20,000.

The addition of granule processing equipment at Olancha mill will make possible a significant increase in Olancha clay sales to California pesticide producers. We project total 1965 Olancha clay sales of about $100,000, or $25,000 greater than 1964.

Aquafil's major use is the coating of ammonium nitrate prills to prevent caking on storage. CMC acquisition personnel have projected an increase of about $70,000 to these users in 1965. We agree that this is an attainable goal.

The addition of Otto Kohl, Jr., Aquafil's operating manager, to our sales staff will help to insure adequate knowledgeable coverage of national ammonium nitrate accounts and local pesticide and fertilizer users of diatomite, clay, and talc.

Temporary double coverage from the Houston office (see "Organization") will also provide a needed extra boost to Aquafil sales efforts in the largest sales area during the critical early months.

Mr. Kohl, Jr. will attend the Western Agricultural Chemicals Association spring and fall meetings.

Distribution Costs

We have already described our traffic department's plans for reducing freight costs for specific industries and exports.

In addition to these, traffic also will be responsible for accomplishing the following during 1965:

Talc

1. To establish rates on Pyropaque from Texas to the Northeast. During 1964 we secured routes and a milling-in-transit privilege at Grand Island. In order to maintain secrecy as long as possible, we shall hold back rate applications until trial shipments have been made late in the first or early in the second quarter.

2. To submit a new proposal on talc from Texas to the Pacific Northwest to be effective before October 31, 1965.

Aquafil

1. To make a complete study and take appropriate action on diatomite freight rates during the first quarter.

2. To establish milling and storage-in-transit privileges at Grand Island, by March 31.

3. To establish transcontinental freight rates from Keeler and Los Angeles on diatomite to permit stopping of California origin talc cars for completion of loading with diatomite at Fernley, Nevada, by March 31.

Paul W. Wood Company

The ass't. traffic manager and the sales coordinator will cooperate in an intensive program to reduce Wood Company costs of freight and warehousing. Major goals are:

1. Reduction of Los Angeles warehousing costs by consolidation of stock at Olympic Blvd. warehouse, not later than March 31.

2. Decreasing warehousing, property taxes, and capital costs by establishment and stringent application of maximum permissable inventory levels, to be completed by January 31.

3. Constant review of Los Angeles and San Francisco local cartage costs and substitution of lease truck for common carrier service when circumstances dictate.

4. Negotiation of storage contracts at Olympic Blvd. with those of our principals who currently pay warehousing to the Paul Wood Realty Los Angeles warehouse by March 1.

5. Relocation at reduced rates of San Francisco stocks by June 1. Negotiations to be complete by March 1.

6. Improvement of combined order and bill of lading form. New forms to be in use by Wood offices by March 1.

## Organization

In order to create additional opportunities, to capitalize on research efforts, and to strengthen areas of weakness, we propose the following changes in our marketing organization during 1965:

### Personnel - Sierra

Marketing success or failure is often self-reinforcing. For example, the momentum gained from the success of Mistron Vapor for pitch control in pulp and paper led directly to other paper mill uses - coating, filling, and rosin sizing improvement.

Application of the principles of Mistron selective adsorption of organic materials to the rubber and plastics industries is also a direct result of this initial success.

Sales increases from sales of high margin specialties permit additional investment of marketing time and money over a broader geographic area at no reduction in profits.

Focusing such a large portion of our attention on one part of our product line and on expanding those geographic areas where it is best sold can also be productive of problems. The most obvious of these is a dilution of effort as each person's responsibilities increases. The usual result can be neglect of less productive lines and areas.

We have been able to cope with this situation passably well up to now by upgrading the quality and direction of effort of both our own and distributor sales personnel.

However, 1965 promises to be critical as to new products and markets. We believe 1965's preparations for the future will prove to be as important as were those of the pivotal years of 1957 and 1960. We therefore regard new field personnel and personnel training as our principal 1965 organizational goal.

Such personnel should be capable of meeting the challenge of setting new sales records while also conducting the Pyropaque test marketing and Aquafil expansion programs.

We propose the following schedule of Sierra marketing personnel shifts and additions during 1965.

1. January. Addition of Otto Kohl Jr. of Aquafil to Sierra sales staff with location at Wood Company's San Francisco office. Complete in January.

2. Addition of sales trainee to South Pasadena office to cover sales of our talc products to industries not now handled by Paul Wood Company, such as paper and rubber. Strangely enough, our own Southern California area needs help more than any other. This new person would, after the end of 1965, be transferred to the Wood Company, along with the representation for these industries. Begin January. Complete latest February 28.

3. Addition of sales trainee to Cleveland office. This will help solve our serious lack of depth in branch sales offices and permit the future promotion of our Cleveland manager. Begin January. Complete latest March 31.

4. Addition of fully trained sales engineer to Houston office to permit promotion of Paul Juley and provide short term doubled coverage in important Aquafil sales territories. Begin January. Complete latest March 31. This move will quite likely also require placing Houston's office girl on a fulltime basis.

5. Transfer of Paul Juley to South Pasadena as National Sales Manager. This position has been handled by the Vice President-Marketing with the assistance of the Vice President-Technical Service and Sales Coordinator. The increasing

complexity and extent of division marketing operations indicates the need for filling this post. It is the consensus of marketing management that Mr. Juley has proved himself deserving of this promotion.

6. In line with increased responsibilities and in recognition of fine results, the promotion of present sales engineers to Branch Managers at Boston, Newark, Cleveland, and Chicago, effective January 1, 1965.

Personnel - Paul Wood Company

One of the difficulties attending the organization of the Wood Company activities was the unfortunate illness of its President. Mr. Johnson has now recovered to the extent where he can resume some of his duties, but his age raises serious doubts as to ability to function again at full capacity. The Paul Wood Company board of directors has therefore approved the following:

1. Acceptance of the resignation of Mr. Paul Wood as Chairman of the board effective January 1, 1965.

2. Election of Wilbur Johnson as Chairman as well as President effective January 1, 1965.

3. Election of San Francisco sales engineer, Ralph Le Fever as director effective January 1, 1965.

4. Resignation of Wilbur Johnson as President, and election of Ralph Le Fever as President, latest August 1965, and transfer of Mr. Le Fever to Los Angeles.

5. The appointment of San Francisco sales engineer, John Googins, San Francisco manager during 1965.

Selling expense should remain essentially unchanged by these moves, since increase in Mr. Le Fever's salary and his moving expense should about be offset by reduction in Mr. Johnson's compensation.

Mr. Le Fever must be replaced in San Francisco by a sales trainee. Begin April 1. Complete latest June 30.

Control

Marketing expects to benefit from information generated by machine accounting for the first time during 1965.

With the cooperation of Sierra division controller, systems have been worked out which will permit close supervision of the quantitative aspects of this plan.

The controller will supply marketing with monthly sales figures classified by area, industry, and product, for Sierra and Aquafil; by principal and area for the paint department of the Wood Company; and by industry for the ceramics and plastics department of Wood Company.

These figures will be reviewed monthly by marketing management, and any major deviation from this plan noted.

This should permit elimination of hand recording of sales in the head office "block books".

Both quantitative and qualitative goals will be reviewed by the marketing and technical service vice presidents and the sales coordinator quarterly. We shall revise any part of the plan which is in need of modification and explain the reasons therefore. This control by exception should provide a realistic means of assuring adherence to the plan.

Marketing Costs - Sierra

The changes in personnel described under "Organization" plus recommended increases in salary levels of marketing people will result in a rise of about $67,000 in "selling expense".

Appendix G details the sources of this increase. This breakdown shows that nearly half the increase results directly from the Aquafil acquisition. It also reveals that costs other than added salaries and salesmen's expenses are actually expected to decline. Appendix H divides the cost by area.

Despite the absolute increase, this budget would result in reduced selling costs per sales dollar and more important, a reduction in cost per sales call:

| | 1964 | 1965 |
|---|---|---|
| Anticipated Sierra Sales Including Aquafil (000s omitted) | $4,250 | $5,220 |
| Anticipated total "Selling Expense" (000s omitted) | 367 | 435 |
| Selling Expense/Sales | 8.6% | 8.3% |
| Number Sales Engineers and Branch Manager calls | 4,943 | 7,700 |
| Cost Sales Engineers and Branch Manager calls * (000s omitted) | 161 | 218 |
| Average Cost/call | $32.60 | $28.30 |

*Includes all branch office expenses except warehousing and freight for 1964, same + anticipated direct costs salary and expenses Otto Kohl Jr., and South Pasadena trainee for 1965.

Marketing Costs - Paul W. Wood Company

Wood Company selling costs will automatically increase because of full year application of ceramic and plastics departments' salaries and expenses in effect only during parts of 1964. Warehousing and trucking expenses will also increase substantially as physical volume rises. Again, however, selling costs per sales dollar should decline while cost per call will show a marked reduction:

| | 1964 | 1965 |
|---|---|---|
| Anticipated Wood Sales Includes principals' billings (000s omitted) | $2,900 | $3,760 |
| Anticipated total "Selling Expense" (000s omitted) | 192 | 243 |
| Selling Expense/Sales | 6.6% | 6.4% |
| Number Sales Engineers and Presidents calls * | 7,000 | 10,000 |
| Cost Sales Engineers and Presidents calls ** (000s omitted) | 135 | 174 |
| Average Cost/call | $19.30 | $17.40 |

*Wood Company sales calls are reported by product line. A single interview covering more than one product line results in more than one call being reported. This accounts for the apparent greater number of calls per man as compared with Sierra personnel.

**Includes all expenses except warehousing, trucking, and allocation from South Pasadena.

Appendix I gives details of effects of the 1965 changes discussed under "Organization".

## Conclusion

We believe this to be a reasonable, workable, and enforceable plan. We should appreciate the reader bearing in mind at all times that the quantitative forecasts represent educated estimates and are not already realized achievements. The qualitative aspects of the plan are however designed to provide the best chance of achieving the quantitative goals.

These might be summarized as growth through an imaginative approach to problems and opportunities by competent and dedicated people. We believe our ability to shift ground to meet changed circumstances is reinforced rather than impaired by this statement of goals and objectives. We also trust that it will help to convey these to CMC personnel not directly associated with this division.

## Appendix A

November 30, 1964

Corporate Policies

Objectives — The Paul W. Wood Company

The major objective of this company is to earn money, both for itself and the principals it represents. This company has established as its goal gross sales of $10,000,000 annually by the end of 1969. This company will also be one of the most efficient chemical distributors extant. This means earning a profit of 4% or $400,000 net after taxes.

This company is going places, and we intend to achieve our goal by:

1. Complete coverage of the Pacific Coast market for chemicals and raw materials consumed by the paint, ceramic, plastics, rubber, pulp and paper and cosmetic industries.
2. Expanding the number of principals. The addition of new principals should provide an average gross margin of 15%.
3. New horizons which means constantly looking to new opportunities such as the acquisition of other distributors or manufacturers.
4. As we grow our emphasis will be to rely more on technically trained and experienced personnel to handle the increasingly complex sales problems attendant on technical sales.
5. Cost consciousness with respect to selling and operating expenses.
6. This company will conform to the policy and practice of Cyprus Mines Corporation's Antitrust Policy.
7. Total compensation paid employees will be above the industry average for above average performance.
8. The establishment of salaries, review and changes is the responsibility of the President who will act after consultation with the Paul W. Wood Company Board of Directors. In line with Cyprus' corporate policy, compensation reviews are made at the end of each calendar year.
9. Promotions will be made from within whenever possible.
10. The employment and dismissal of personnel, except officers, is the President's responsibility.

## Appendix B

### Principals

Ceramic Department - The Paul W. Wood Company

| | Principals | Product |
|---|---|---|
| 1. | H. C. Spinks Clay Co.<br>P. O. Box 829<br>Paris, Tennessee | Ball Clays |
| 2. | Pittsburgh Plate Glass<br>Columbia Southern Division<br>Los Angeles, California | Barium Carbonate |
| 3. | Pomona Tile Company<br>1315 East 3rd Street<br>Pomona, California | Ground Bisque |
| 4. | Chemical Additives<br>Los Angeles, California | China Clay |
| 5. | Edgar Plastic Kaolin Company<br>Edgar, Florida | China Clay |
| 6. | Glostex Chemicals Company<br>Los Angeles, California | Glaze Frit |
| 7. | Hammond Lead Products<br>Hammond, Indiana | Lead Silicates |
| 8. | American Metals Climax<br>New York City, N. Y. | Selenium |
| 9. | Desert Minerals<br>840 So. Mission Road<br>Los Angeles 23, California | P. V. Clay |
| 10. | Pennsylvania Glass Sand<br>1 Gateway Center<br>Pittsburgh, Pennsylvania | Silica |
| 11. | International Minerals<br>Skokie, Illinois | Feldspar |
| 12. | Sierra Talc & Chemical Company<br>Division of Cyprus Mines Corporation | Talc |

## Appendix C

### Principals

Plastic Department - The Paul W. Wood Company

| | Principals | Product |
|---|---|---|
| 1. | Pittsburgh Plate Glass Co.<br>Selectron Division<br>Los Angeles, California | Polyester Resins, gelcoats |
| 2. | Ferro Corporation<br>Los Angeles, California | Mat, roving, chopped strand, milled fibres, uni-directional mat, squeegee rubber, fibre-glass tape, fibreglass cloth up to 9-1/2 oz. |
| 3. | Erskine - Johns (Hess Goldsmith)<br>Los Angeles, California | Fibreglass cloth beyond 9-1/2 oz and specialty fibreglass cloth |
| 4. | Norac Company<br>Los Angeles, California | Methol ethyl ketone peroxides |
| 5. | Central Solvents & Chemical Co.<br>Santa Fe Springs, California | Acetone |
| 6. | Universal Sealants<br>Los Angeles, California | Sealants for vacuum bagging primarily |

## Appendix D

Projected 1965 Talc sales by area and industry

Dollars (000s omitted)

| | Pulp & Paper | Paint | Rubber | Ceramics | Cosmetics | Ag. Chem. | Plastics | Misc. | Total |
|---|---|---|---|---|---|---|---|---|---|
| Sierra Direct | | | | | | | | | |
| So. Pas. -Talc | 43 | 3 | 77 | 59 | 39 | 39 | 1 | 7 | 268 |
| So. Pas. -Clay | | | | | | 78 | | 22 | 100 |
| Branches | | | | | | | | | |
| Boston | 240 | 9 | 61 | | | | 6 | 22 | 338 |
| Chicago | 435 | 136 | 80 | 46 | 70 | | 11 | 22 | 800 |
| Cleveland | 28 | 73 | 33 | 52 | 34 | | 33 | 11 | 264 |
| Newark | 33 | 63 | 26 | 21 | 40 | | 91 | 1 | 275 |
| H[illegible]ston | 17 | | 2 | 85 | | | 2 | | 106 |
| Ala. Ga. Fla. Tenn. | 22 | 4 | 1 | | 1 | | | 1 | 29 |
| Tex. Okla. Kan. Ark. ) W. Tenn. La. Miss. ) | | 97 | 8 | 1 | 2 | | 1 | 16 | 125 |
| Paul W. Wood-LA | | 203 | | 189 | | | | | 392 |
| Paul W. Wood-SF | | 146 | | | | | 31 | 2 | 179 |
| Carolina & Virginia | 23 | 2 | 3 | | 1 | | | 22 | 51 |
| Minn. Ia. Mo. Nebr. | 184 | 61 | | | 3 | 28 | 2 | | 278 |
| Oregon & Washington | 109 | 52 | | | | | | | 161 |
| Misc. Distributors | | 5 | 3 | 5 | 3 | | | 19 | 35 |
| Export | | | | | | | | | |
| East Canada | 248 | 46 | 13 | | 20 | | 6 | | 333 |
| West Canada | 1 | 20 | | | | | | | 21 |
| Mexico | | 20 | | 51 | 30 | | | | 101 |
| Europe | 616 | | 42 | 13 | | | | | 671 |
| Asia & Pacific | 18 | 12 | 10 | | 1 | | | | 41 |
| Cent. & So. America | | 39 | | | 13 | | | | 52 |
| | 2,017 | 991 | 359 | 522 | 257 | 145 | 184 | 145 | 4,620 |

## Appendix E

Projected 1965
Sales by Major Principals
Paul W. Wood Company

| | Dollars (000s omitted) |
|---|---|
| Cargill, Inc. | 490 |
| Trojan Powder Company | 300 |
| Neville Chemical Company | 400 |
| General Tire & Rubber Co. | 40 |
| Aluminum Company of America | 700 |
| Sierra Talc & Chemical Company | 380 |
| Canadian Johns-Manville Co., Limited | 375 |
| The English Mica Company | 100 |
| | 2,785 |
| | |
| Ceramics | 700 |
| Plastics | 275 |
| | 3,760 |

## Appendix F

Canadian Technical Service Effort by Quarters

| | 1965 1st | 2nd | 3rd | 4th |
|---|---|---|---|---|
| Winnipeg by Scheffel | 3 | | 2 | |
| Winnipeg by Warner | | | | 1 |
| Western Ontario by Scheffel | 3 | 3 | | 4 |
| Western Ontario by Warner | | | 2 | |
| Central Ontario by Held | 5 | 10 | 5 | 5 |
| Central Ontario by Warner | | | 3 | |
| Ottawa, Montreal and Eastern Townships by Murino | 5 | 5 | 5 | 5 |
| Ottawa, Montreal and Eastern Townships by Warner | 4 | | 1 | |
| Maritime provinces by Sprague | | 5 | | 5 |
| British Columbia | | | 3 | |
| Totals by quarters | 20 | 23 | 21 | 20 |

## Appendix G

Estimated 1965 Additional Expenses

| | | |
|---|---|---|
| Trainee in Cleveland - Salary | | $ 8,000 |
| Other | | 4,000 |
| Replacement for P. Juley in Houston - Salary | | 8,000 |
| Other | | 4,000 |
| Girl to full time basis in Houston-Salary @ $350 | $ 4,200 | |
| Less paid 1964 | 1,600 | 2,600 |
| Paul Juley to South Pasadena-Salary increase | $ 4,000 | |
| (August 1965) Moving expenses | 2,000 | 6,000 |
| Otto Kohl Jr. of Aquafil - Salary | $ 12,000 | |
| Plus | 6,000 | 18,000 |
| Other | | 9,000 |
| Trainee in South Pasadena - Salary | $ 8,000 | |
| Other | 4,000 | 12,000 |
| Commissions on selling | | |
| Decrease - Sweden | $ 15,000 | |
| Abitibi | 3,000 | |
| | 18,000 | |
| Increase - Finland | 5,000 | (13,000) |
| Performance Evaluation Incentive - new employees | | |
| Cleveland | $ 500 | |
| South Pasadena | 500 | |
| Houston | 1,000 | 2,000 |
| Salary increases | | |
| South Pasadena | $ 4,900 | |
| Boston | 500 | |
| Newark | 500 | |
| Cleveland | 500 | |
| Chicago | 500 | |
| Houston | 500 | 7,400 |
| | | $ 68,000 |

# Appendix H

## Projected 1965 Selling Expenses

| | | Dollars (000s omitted) |
|---|---|---|
| **South Pasadena** | | |
| Salaries - Executive, sales and clerical | $131 | |
| Commissions | 26 | |
| Other | 72 | |
| Total | | $229 |
| **Boston** | | |
| Salaries - sales and clerical | $ 17 | |
| Other | 18 | |
| Total | | $ 35 |
| **Newark** | | |
| Salaries - sales and clerical | $ 17 | |
| Other | 16 | |
| Total | | $ 33 |
| **Cleveland** | | |
| Salaries - sales and clerical | $ 24 | |
| Other | 25 | |
| Total | | $ 49 |
| **Chicago** | | |
| Salaries - sales and clerical | $ 26 | |
| Other | 31 | |
| Total | | $ 57 |
| **Houston** | | |
| Salaries - sales and clerical | $ 19 | |
| Other | 13 | |
| Total | | $ 32 |
| TOTAL | | $435 |

...dix I

Selling Expe...

San Francisco...

Dear Customer,

Because of the condition of the original, this is the best copy that could be made.

NightRider
an Alco Office Products company

Warehouse... 560

*Increase due to:
a. ...s all... vs
b. ...vs